

## Message Text

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46

ACTION AF-08

INFO OCT-01 ISO-00 ONY-00 /009 W

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R 041703Z AUG 76

FM AMEMBASSY ABIDJAN

TO SECSTATE WASHDC 9610

INFOHRUTAGN/AMEMBASSY ACCRA "815

AMEMBASSY BAMAKO

AMEMBASSY BANGUI

AMEMBASSY CONAKRY

AMEMBASSY COTONOU

AMEMBASSY DAKAR

AMEMBASSY FREETOWN 1656

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LOME

AMEMBASSY MONROVIA 4948

AMEMBASSY NDJAMENA

AMEMBASSY NIAMEY

AMEMBASSY NOUAKCHOTT

AMEMBASSY OUAGAODOUGOU

AMEMBASSY PARIS

AMEMBASSY YAOUNDE

UNCLAS ABIDJAN 7257

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EO 11652: N/A

TAGS: AFSP,IV

SUB: IMPOACT OF EXCHANGE RATE FLUCTUATIONS AND OF  
INFLATION ON EMBASSY BUDGET

REF: STATE 189967

1. IMPACT OF EXCHANGE RATE FLUCTUATIONS ON EMBASSY  
BUDGZT VARIES FROM YEAR TO YEAR AS LOCAL CURRENCY  
ALTERNATELY APPRECIATES AND DEPRECIATES VIS-A-VIS  
THE US DOLLAR. IN FY76 RBFO ESTIMATES DOLLAR SAVINGS

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ATTRIBUTABLE TO 17 PZRCENT CFA DEPRECIATION (FROM CFA 202/\$US

AT END FY 76 TO CFA 237/\$US AT END FY 76) AT APPROXIMATELY \$10,000 (LESS THE 0.5 PERCENT OF TOTAL BUDGET OF \$2.5 MILLION). HOWEVER, EFFECT OF THIS SAVING WAS MERELY TO OFFSET COST ASSOCIATED WITH 16 PERCENT CFA APPRECIATION DURING FY 75. THIS OFFSETTING EFFECT IS ALSO EVIDENT IN CFA/\$US EXCHANGE RATE STATISTICS (SOURCE: IMF) FOR EARLIER YEARS:

YEAR	EXCHANGE RATE	CHANGE
END FY 73 205		
END FY 74 241		-18 PERCENT
END FY 75 202		PLUS 16 PERCENT
END FY 76 237		-17 PERCENT

THUS, OVER PERIOD OF SEVERAL YEARS, IMPACT OF EXCHANGE RATE FLUCTUATIONS ON EMBASSY BUDGET IS PROBABLY NEGLIGIBLE. (IT SHOULD ALSO BE NOTED THAT A GIVEN CFA DEPRECIATION VIS-A-VIS THE DOLLAR--17PERCENT DURING FY76--WOULD RESULT IN MUCH SMALLER PERCENTAGE REDUCTION IN TOTAL EMBASSY EXPENDITURES SINCE THIS WOULD AFFECT ONLY THE LOCAL CURRENCY COMPONENT OF SUCH EXPENDITURES. NOT US DOLLAR PROCUREMENT).

2. IN CONTRAST, INFLATION TENDS TO BE UNIVERSAL AND CONTINUOUS. RBFO ESTIMATES THE IMPACT OF INFLATION ON THE EMBASSY'S FY76 BUDGET AT APPROXIMATELY \$25,000. AS NOTED BY THE IMF IN ITS REPORT OF APRIL 1976 "IVORY COAST--RECENT ECONOMIC DEVELOPMENTS," THE CONSUMER PRICE INDEX FOR EUROPEANS/AMERICANS IN ABIDJAN INCREASED BY 19PERCENT CALENDAR 1975 FOLLOWING A 16.2 PERCENT INCREASE IN 1974. (WE DO NOT YET HAVE CUMULATIVE FIGURES FOR LAST HALF OF FY76). AS DEPARTMENT ABLE TO DOCUMENT, U.S. INFLATION AFFECTING PROCUREMENT BY OVERSEAS POSTS HAVE ALSO BEEN SUBSTANTIAL OVER THE PAST SEVERAL YEARS.

". EXAMPLES OF INCREASES IN PRICES OF EMBASSY-PROCURED GOODS AND SERVICES DURING FY 76 INCLUDE:

- A. GASOLINE: 6PERCENT EFFECTIVE DECEMBER 1975
- B. AIR FARES: 5 PERCENT EFFECTIVE DECEMBER 1975
- C. OCEAN FREIGHT CHARGES ON GOVERNMENT PROPERTY: 10 PERCENT
- D. DOCK CHARGES: 6 PERCENT
- E. BUILDING OPERATING SUPPLIES : 8 PERCENT

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- F. AVERAGE OF 23 PERCENT INCREASE IN WAGES (IN ALL CATEGORIES) BY GOIC DECREE NO 76-206 OF MARCH 27, 1976, RETROACTIVE TO JANUARY 1976.
- G. AVERAGE OF 15 PERCENT INCREASE OF ALL LEASES EFFECTIVE ON RENEWAL DATE.
- H. MEDICAL SUPPLIES: 5 PERCENT
- I. UTILITIES: 8 PERCENT
- J. FOOD, HOTEL, TAXIS, NEWSPAPERS: RANGING FROM

10 TO 25 PZRCENT.  
SMITH

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